

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 26, 2007

Project Number CA-2007-878

Project Name Alturas Meadows Apartments
Address: 506 East 12th Street
Alturas, CA 96101 County: Modoc

Applicant Information

Applicant: HPD Alturas, LP.
Contact: Mr. William Rice
Address: 250 West Colorado Boulevard, Suite 210
Arcadia, CA 91007
Phone: (626) 294-9230 Fax: (626) 294-9270
Sponsors Type: Joint Venture

Bond Information

Issuer: CSCDA
Expected Date of Issuance: October 15, 2007
Credit Enhancement: N/A

Eligible Basis

Actual: \$5,237,891
Requested: \$5,237,891
Maximum Permitted: \$18,250,675

Extra Feature Adjustments: Required to Pay Prevailing Wages: 20%
55-Year Use/Rent Restriction Adjustment: 120%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$215,741	\$0
Recommended:	\$215,741	\$0

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt / USDA RD / HUD Section 8
HCD MHP Funding: Yes
Total # of Units: 48
Total # Residential Buildings: 15

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 47 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 45% of area median income: 24
Number of Units @ or below 60% of area median income: 23

<u>Unit Type & Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
20 Two-Bedroom	45%	\$522
4 Three-Bedroom	45%	\$602
19 Two Bedroom	60%	\$696
4 Three-Bedroom	60%	\$803
1 Two Bedroom	Manager's Unit	\$0

The general partners or principal owners are HPD Alturas LLC and Hearthstone Housing Foundation.

The project developer is Highland Property Development.

The management services will be provided by MBS Property Management.

The market analysis was provided by Vogt Williams Bowen Research.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Project Financing

Estimated Total Project Cost: \$6,041,909 Per Unit Cost: \$125,873 Construction Cost Per Sq. Foot: \$42

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Washington Mutual – Tax Ex. Bonds	\$3,085,000	Washington Mutual – Tax Ex. Bonds	\$885,000
USDA RD – Assumed Loan	\$1,280,000	USDA RD – 515 Assumed Loan	\$1,280,000
		HCD – MHP	\$1,676,600
		Deferred Developer Fee	\$75,472
		Investor Equity	\$2,124,837
		TOTAL	\$6,041,909

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	\$2,516,416
Requested Acquisition Eligible Basis:	\$2,721,475
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$3,271,341
Qualified Acquisition Basis:	\$2,721,475
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	\$117,768
Maximum Annual Federal Acquisition Credit:	\$97,973
Total Maximum Annual Federal Credit:	\$215,741
Approved Developer Fee in Project Cost:	\$683,203
Approved Developer Fee in Eligible Basis:	\$683,203
Tax Credit Factor:	\$.9849

Applicant requests and staff recommends annual federal credits of \$215,741, based on a qualified rehabilitation basis of \$3,271,341, a qualified acquisition basis of \$2,721,475, and a funding shortfall of \$2,124,837.

Cost Analysis and Line Item Review

The requested eligible basis (\$5,237,891) is below TCAC's adjusted threshold basis limit (\$18,250,675). The basis limit includes the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units and the adjustment for projects required to pay prevailing wages. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one.

Staff has calculated federal tax credits based on 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

This application is for the acquisition and rehabilitation of an existing USDA Rural Development project with an existing Section 8 rental subsidy on all 47 low-income units.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$215,741	\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

TCAC makes the reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credits when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions: None.

Project Analyst: Jack Waegell